

ANITA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
Dr. Gerald Wessels	President	2006
Phyllis Nichols	Vice President	2006
Randall Rabe	Board Member	2007
Jeff Gregersen	Board Member	2007
Julie Williamson	Board Member	2008
<b>Board of Education (After September 2006 Election)</b>		
Dr. Gerald Wessels	President	2009
Randall Rabe	Vice President	2007
Phyllis Nichols	Board Member	2009
Jeff Gregersen	Board Member	2007
Julie Williamson	Board Member	2008
<b>School Officials</b>		
Dan Crozier	Superintendent	2007
Glennnda Nelsen	District Secretary and District Treasurer	2007
Sue Seitz	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anita Community School District, Anita, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Anita Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

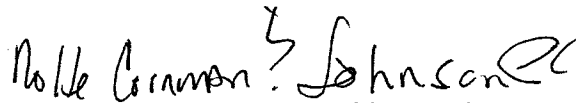
In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2008 on our consideration of Anita Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anita Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Anita Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,651,496 in fiscal 2006 to \$2,894,348 in fiscal 2007, while General Fund expenditures increased from \$2,698,442 in fiscal 2006 to \$2,970,006 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$623,853 in fiscal 2006 to a balance of \$548,195 in fiscal 2007, a 12.1% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the support services function area.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Anita Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Anita Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Anita Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Anita Community School District Annual Financial Report**

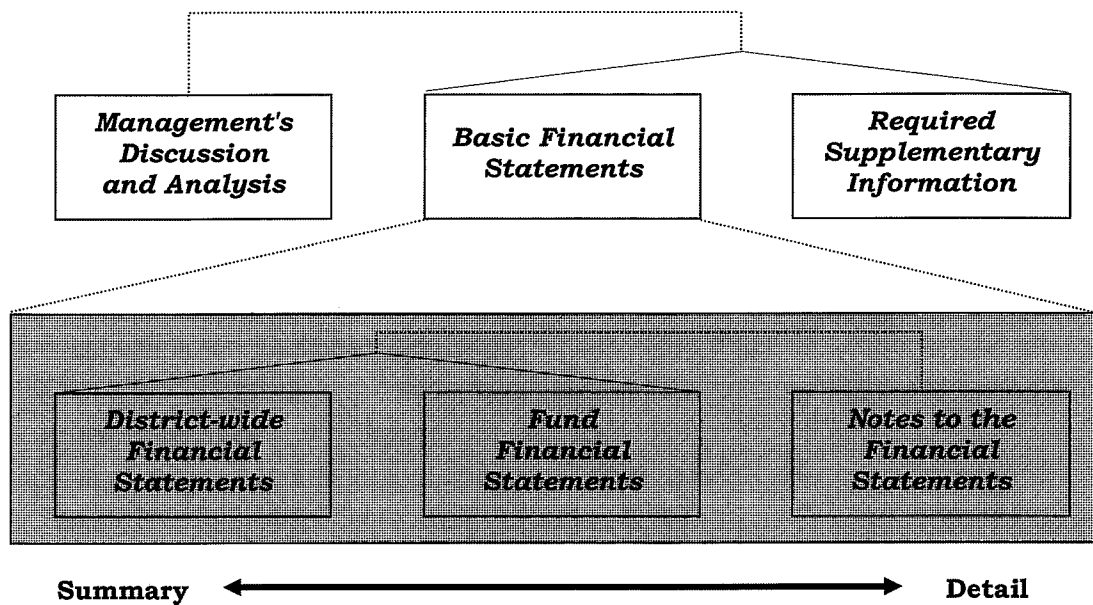


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are



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one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for an alternative school program.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 2,226,597	2,055,937	15,476	18,750	2,242,073	2,074,687	8.07%
Capital assets	1,628,824	1,568,274	8,570	8,714	1,637,394	1,576,988	3.83%
Total assets	3,855,421	3,624,211	24,046	27,464	3,879,467	3,651,675	6.24%
Long-term obligations	0	1,636	0	0	0	1,636	-100.00%
Other liabilities	1,284,682	1,165,734	591	604	1,285,273	1,166,338	10.20%
Total liabilities	1,284,682	1,167,370	591	604	1,285,273	1,167,974	10.04%
Net assets:							
Invested in capital assets, net of related debt	1,628,824	1,568,274	8,570	8,714	1,637,394	1,576,988	3.83%
Restricted	341,584	254,466	0	0	341,584	254,466	34.24%
Unrestricted	600,331	634,101	14,885	18,146	615,216	652,247	-5.68%
Total net assets	\$ 2,570,739	2,456,841	23,455	26,860	2,594,194	2,483,701	4.45%

The District's combined net assets increased by 4.45%, or \$110,493, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$87,118, or 34.24% over the prior year. This increase was primarily due to the increase in fund balance in the Special Revenue, Management Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$37,031, or 5.68%. This decrease was primarily due to the decrease in the fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 376,263	331,920	81,823	80,223	458,086	412,143	11.15%
Operating grants and contributions and restricted interest	541,701	363,051	54,728	57,947	596,429	420,998	41.67%
Capital grants and contributions and restricted interest	0	4,140	0	0	0	4,140	-100.00%
General revenues:							
Property tax	1,053,786	1,014,963	0	0	1,053,786	1,014,963	3.83%
Local option sales and services tax	165,748	167,283	0	0	165,748	167,283	-0.92%
Unrestricted state grants	1,190,694	1,210,695	0	0	1,190,694	1,210,695	-1.65%
Other	72,445	64,956	266	63	72,711	65,019	11.83%
Total revenues	3,400,637	3,157,008	136,817	138,233	3,537,454	3,295,241	7.35%
Program expenses:							
Governmental activities:							
Instructional	2,102,382	1,975,025	0	0	2,102,382	1,975,025	6.45%
Support services	1,026,134	849,008	230	150	1,026,364	849,158	20.87%
Non-instructional programs	0	288	139,992	140,939	139,992	141,227	-0.87%
Other expenses	158,223	202,140	0	0	158,223	202,140	-21.73%
Total expenses	3,286,739	3,026,461	140,222	141,089	3,426,961	3,167,550	8.19%
Changes in net assets	113,898	130,547	(3,405)	(2,856)	110,493	127,691	-13.47%
Beginning net assets	2,456,841	2,326,294	26,860	29,716	2,483,701	2,356,010	5.42%
Ending net assets	\$ 2,570,739	2,456,841	23,455	26,860	2,594,194	2,483,701	4.45%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants account for 70.9% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.8% of the revenue from business-type activities.

The District's total revenues were \$3,537,454 of which \$3,400,637 was for governmental activities and \$136,817 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 7.35% increase in revenues and an 8.19% increase in expenses. Local tax increased by \$30,153 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$3,400,637 and expenses were \$3,286,739.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,102,382	1,975,025	6.45%	1,287,548	1,371,239	-6.10%
Support services	1,026,134	849,008	20.86%	1,014,769	847,624	19.72%
Non-instructional programs	0	288	-100.00%	0	288	-100.00%
Other expenses	158,223	202,140	-21.73%	66,458	108,199	-38.58%
Totals	<u>\$ 3,286,739</u>	<u>3,026,461</u>	<u>8.60%</u>	<u>2,368,775</u>	<u>2,327,350</u>	<u>1.78%</u>

- The cost financed by users of the District's programs was \$376,263.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$541,701.
- The net cost of governmental activities was financed with \$1,053,786 in property tax, \$165,748 in local option sales and services tax, \$1,190,694 in unrestricted state aid, \$44,092 in interest income and \$28,353 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$136,817 and expenses were \$140,222. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Anita Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$870,405, above last year's ending fund balance of \$826,797. The primary reason for the increase in combined fund balance in fiscal 2007 is due to the increase fund balances of the Special Revenue, Physical Plant and Equipment Levy and the Capital Projects.

### Governmental Fund Highlights

- The District's General Fund balance decreased from \$623,853 on June 30, 2006 to \$548,195 on June 30, 2007. The District's General Fund financial position is the product of many factors. An increase in the taxes, tuition, other local revenue, state and federal sources during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits. Revenues did not exceed expenditures ensuring the decline in the District's financial position.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased during the current year from a deficit \$40,204 in 2006, to a positive \$6,501 in 2007. This increase resulted from controlled spending during the year.
- The Capital Projects Fund balance increase during the current year from \$102,247 in 2006 to \$151,515 in 2007. This increase resulted from a decrease in expenditures during the year.

## Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$26,860 at June 30, 2006 to \$23,455 at June 30, 2007, representing a decrease of 12.68%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$29,506 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$1,637,394, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.83% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$122,324.

The original cost of the District's capital assets was \$3,995,977. Governmental funds account for \$3,950,404 with the remainder of \$45,573 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$208,199 at June 30, 2007, compared to \$142,985 reported at June 30, 2006. This increase is due to the computer and vehicle purchases during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 6,643	6,643	0	0	6,643	6,643	0.00%
Buildings	1,384,515	1,388,770	0	0	1,384,515	1,388,770	-0.31%
Land improvements	38,037	38,590	0	0	38,037	38,590	-1.43%
Machinery and equipment	199,629	134,271	8,570	8,714	208,199	142,985	45.61%
Total	\$ 1,628,824	1,568,274	8,570	8,714	1,637,394	1,576,988	3.83%

### Long-Term Debt

At June 30, 2007, the District had no long-term debt outstanding. This represents a decrease of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had early retirement payable of \$1,636 at June 30, 2006 payable from the Special Revenue, Management Levy Fund. This balance was paid off during the current year.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Early Retirement	\$ 0	1,636	-100.00%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increased expenditures have been caused by the increased price of gasoline and heating costs. An increase in the security of the high school building has also caused expenditures to increase.
- Inflation and the cost of living increases continue to affect the residents of the District.
- A pattern of declining enrollment persists in the District. This will reduce the amount of revenue available to fund educational programs and service in the future.
- A lower tax levy will decrease the tax revenues that the District will receive in the 2008-09 fiscal year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Glennda Nelsen, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 953,217	5,741	958,958
Receivables:			
Property tax:			
Delinquent	17,435	0	17,435
Succeeding year	1,102,546	0	1,102,546
Income surtax	71,510	0	71,510
Accounts	53,079	0	53,079
Due from other governments	28,810	0	28,810
Inventories	0	9,735	9,735
Capital assets, net of accumulated depreciation (Note 4)	1,628,824	8,570	1,637,394
<b>Total Assets</b>	<b>3,855,421</b>	<b>24,046</b>	<b>3,879,467</b>
<b>Liabilities</b>			
Accounts payable	180,702	0	180,702
Deferred revenue:			
Succeeding year property tax	1,102,546	0	1,102,546
Other	1,434	0	1,434
Unearned revenue	0	591	591
<b>Total Liabilities</b>	<b>1,284,682</b>	<b>591</b>	<b>1,285,273</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,628,824	8,570	1,637,394
Restricted for:			
Salary improvement program	576	0	576
Additional teacher contract day	38	0	38
Early intervention	8,459	0	8,459
Other state reserves	10,301	0	10,301
Capital projects	151,515	0	151,515
Management levy	100,507	0	100,507
Physical plant and equipment levy	6,501	0	6,501
Public education and recreation levy	11,178	0	11,178
Other special revenue purposes	52,509	0	52,509
Unrestricted	600,331	14,885	615,216
<b>Total Net Assets</b>	<b>\$ 2,570,739</b>	<b>23,455</b>	<b>2,594,194</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,110,099	174,830	385,702	(549,567)	0
Special instruction	463,253	0	64,234	(399,019)	0
Other instruction	529,030	190,068	0	(338,962)	0
	<u>2,102,382</u>	<u>364,898</u>	<u>449,936</u>	<u>(1,287,548)</u>	<u>0</u>
Support services:					
Student services	64,431	0	0	(64,431)	0
Instructional staff services	149,695	0	0	(149,695)	0
Administration services	311,852	0	0	(311,852)	0
Operation and maintenance of plant services	268,013	0	0	(268,013)	0
Transportation services	232,143	11,365	0	(220,778)	0
	<u>1,026,134</u>	<u>11,365</u>	<u>0</u>	<u>(1,014,769)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	7,511	0	0	(7,511)	0
AEA flowthrough	91,765	0	91,765	0	0
Depreciation(unallocated)*	58,947	0	0	(58,947)	0
	<u>158,223</u>	<u>0</u>	<u>91,765</u>	<u>(66,458)</u>	<u>0</u>
Total governmental activities	<u>3,286,739</u>	<u>376,263</u>	<u>541,701</u>	<u>(2,368,775)</u>	<u>0</u>
Business-Type activities:					
Support services:					
Administration services	230	230	0	0	0
Non-instructional programs:					
Food service operations	139,992	81,593	54,728	0	(3,671)
Total business-type activities	<u>140,222</u>	<u>81,823</u>	<u>54,728</u>	<u>0</u>	<u>(3,671)</u>
Total	<u>\$ 3,426,961</u>	<u>458,086</u>	<u>596,429</u>	<u>(2,368,775)</u>	<u>(3,671)</u>
General Revenues:					
Local tax for:					
General purposes			\$ 977,810	0	977,810
Capital outlay			75,976	0	75,976
Local option sales and services tax			165,748	0	165,748
Unrestricted state grants			1,190,694	0	1,190,694
Unrestricted investment earnings			44,092	266	44,358
Other			28,353	0	28,353
Total general revenues			<u>2,482,673</u>	<u>266</u>	<u>2,482,939</u>
Changes in net assets			113,898	(3,405)	110,493
Net assets beginning of year			<u>2,456,841</u>	<u>26,860</u>	<u>2,483,701</u>
Net assets end of year			<u>\$ 2,570,739</u>	<u>23,455</u>	<u>2,594,194</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Physical Plant And Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 576,194	75,286	138,613	163,124	953,217
Receivables:					
Property tax:					
Delinquent	15,150	1,215	0	1,070	17,435
Succeeding year	967,750	74,710	0	60,086	1,102,546
Income surtax	71,510	0	0	0	71,510
Interfund	70,000	0	0	0	70,000
Accounts	40,177	0	12,902	0	53,079
Due from other governments	28,810	0	0	0	28,810
<b>Total Assets</b>	<b>\$ 1,769,591</b>	<b>151,211</b>	<b>151,515</b>	<b>224,280</b>	<b>2,296,597</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 0	70,000	0	0	70,000
Accounts payable	180,702	0	0	0	180,702
Deferred revenue:					
Succeeding year property tax	967,750	74,710	0	60,086	1,102,546
Income surtax	71,510	0	0	0	71,510
Other	1,434	0	0	0	1,434
Total liabilities	1,221,396	144,710	0	60,086	1,426,192
Fund balances:					
Reserved for:					
Salary improvement program	576	0	0	0	576
Additional teacher contract day	38	0	0	0	38
Early intervention	8,459	0	0	0	8,459
Other state reserves	10,301	0	0	0	10,301
Unreserved	528,821	6,501	151,515	164,194	851,031
Total fund balances	548,195	6,501	151,515	164,194	870,405
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,769,591</b>	<b>151,211</b>	<b>151,515</b>	<b>224,280</b>	<b>2,296,597</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances of governmental funds (page 15) \$ 870,405

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in in the governmental funds. 1,628,824

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current period. 71,510

Net assets of governmental activites (page 13) \$ 2,570,739

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 919,815	66,939	165,748	58,928	1,211,430
Tuition	168,781	0	0	0	168,781
Other	73,726	2,193	5,636	198,628	280,183
Intermediate sources	8,149	0	0	0	8,149
State sources	1,525,429	60	0	53	1,525,542
Federal sources	198,448	0	0	0	198,448
Total revenues	2,894,348	69,192	171,384	257,609	3,392,533
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	1,101,400	0	0	6,477	1,107,877
Special instruction	462,615	0	0	0	462,615
Other instruction	337,366	0	0	189,244	526,610
	1,901,381	0	0	195,721	2,097,102
Support services:					
Student services	63,972	0	0	459	64,431
Instructional staff services	160,993	0	24,862	170	186,025
Administration services	300,011	0	0	11,315	311,326
Operation and maintenance of plant services	251,919	0	0	14,798	266,717
Transportation services	199,965	20,715	39,726	9,503	269,909
	976,860	20,715	64,588	36,245	1,098,408
Other expenditures:					
Facilities acquisitions	0	1,772	57,528	2,350	61,650
AEA flowthrough	91,765	0	0	0	91,765
	91,765	1,772	57,528	2,350	153,415
Total expenditures	2,970,006	22,487	122,116	234,316	3,348,925
Net change in fund balances	(75,658)	46,705	49,268	23,293	43,608
Fund balance beginning of year	623,853	(40,204)	102,247	140,901	826,797
Fund balance end of year	\$ 548,195	6,501	151,515	164,194	870,405

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2007

Net change in fund balances - total governmental funds(page 17) \$ 43,608

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 174,282	
Depreciation expense	<u>(113,732)</u>	60,550

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,104

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>1,636</u>
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Changes in net assets of governmental activities(page 14) \$ 113,898

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	School Nutrition
<b>Assets</b>	
Cash and pooled investments	\$ 5,741
Inventories	9,735
Capital assets, net of accumulated depreciation (Note 4)	8,570
<b>Total Assets</b>	<u>24,046</u>
<b>Liabilities</b>	
Unearned revenue	591
<b>Total Liabilities</b>	<u>591</u>
<b>Net Assets</b>	
Invested in capital assets	8,570
Unrestricted	14,885
<b>Total Net Assets</b>	<u><u>\$ 23,455</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 81,823
TOTAL OPERATING REVENUES	<u>81,823</u>
OPERATING EXPENSES:	
Support services:	
Administrative services:	
Services	<u>230</u>
Non-instructional programs:	
Food service operations:	
Salaries	54,264
Benefits	7,306
Services	1,172
Supplies	75,726
Depreciation	1,524
	<u>139,992</u>
TOTAL OPERATING EXPENSES	<u>140,222</u>
OPERATING LOSS	<u>(58,399)</u>
NON-OPERATING REVENUES:	
State sources	1,407
Federal sources	53,321
Interest on investments	266
TOTAL NON-OPERATING REVENUES	<u>54,994</u>
Change in net assets	(3,405)
Net assets beginning of year	<u>26,860</u>
Net assets end of year	<u>\$ 23,455</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 80,352
Cash received from miscellaneous sources	1,458
Cash payments to employees for services	(61,570)
Cash payments to suppliers for goods or services	(66,985)
Net cash used in operating activities	<u>(46,745)</u>
Cash flows from non-capital financing activities:	
State grants received	1,407
Federal grants received	43,429
Net cash provided by non-capital financing activities	<u>44,836</u>
Cash flows from investing activities:	
Interest on investments	<u>266</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(1,380)</u>
Net decrease in cash and cash equivalents	(3,023)
Cash and cash equivalents at beginning of year	<u>8,764</u>
Cash and cash equivalents at end of year	<u>\$ 5,741</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (58,399)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,892
Depreciation	1,524
Decrease in inventories	251
Decrease in unearned revenue	(13)
Net cash used in operating activities	<u>\$ (46,745)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 5,741</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$9,892.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ANITA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 21,007</u>
<b>Liabilities</b>	
Due to other groups	<u>\$ 21,007</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ANITA COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Anita Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Anita Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Anita Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass, Adair and Audubon Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Agency Fund.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one reporting year.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 671,447

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

### (3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	\$ 70,000

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	6,643	0	0	6,643
Capital assets being depreciated:				
Buildings	2,797,183	52,254	0	2,849,437
Land improvements	46,876	1,885	0	48,761
Machinery and equipment	925,420	127,211	7,068	1,045,563
Total capital assets being depreciated	3,769,479	181,350	7,068	3,943,761
Less accumulated depreciation for:				
Buildings	1,408,413	56,509	0	1,464,922
Land improvements	8,286	2,438	0	10,724
Machinery and equipment	791,149	61,853	7,068	845,934
Total accumulated depreciation	2,207,848	120,800	7,068	2,321,580
Total capital assets being depreciated, net	1,561,631	60,550	0	1,622,181
Governmental activities capital assets, net	\$ 1,568,274	60,550	0	1,628,824



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 44,193	1,380	0	45,573
Less accumulated depreciation	35,479	1,524	0	37,003
Business-type activities capital assets, net	\$ 8,714	(144)	0	8,570

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 10,153
Special	638
Other	4,648
Support services:	
Instructional support staff	10,082
Administration	526
Operation and maintenance	1,296
Transportation	34,510
	61,853
Unallocated depreciation	58,947
Total governmental activities depreciation expense	\$ 120,800
Business-type activities:	
Food services	\$ 1,524
Total business-type activities depreciation expense	\$ 1,524

##### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 1,636	0	1,636	0	0

##### Early Retirement

The District offered a voluntary early retirement plan to its certified employees that are at least 55 years of age and have worked in the school district for twenty years or more. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are based on the employee's remaining sick leave days multiplied by a dollar amount based on the date of resignation. The liability was paid out of the Special Revenue, Management Levy Fund.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$91,343, \$85,997, and \$82,444 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Anita Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$91,765 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 1,660,394	82,089	1,742,483	1,820,670	1,820,670	(78,187)
Intermediate sources	8,149	0	8,149	9,000	9,000	(851)
State sources	1,525,542	1,407	1,526,949	1,509,186	1,509,186	17,763
Federal sources	198,448	53,321	251,769	220,000	220,000	31,769
Total revenues	3,392,533	136,817	3,529,350	3,558,856	3,558,856	(29,506)
Expenditures:						
Instruction	2,097,102	0	2,097,102	3,161,960	3,161,960	1,064,858
Support services	1,098,408	230	1,098,638	1,081,100	1,081,100	(17,538)
Non-instructional programs	0	139,992	139,992	200,600	200,600	60,608
Other expenditures	153,415	0	153,415	267,143	267,143	113,728
Total expenditures	3,348,925	140,222	3,489,147	4,710,803	4,710,803	1,221,656
Excess(deficiency) of revenues over(under) expenditures	43,608	(3,405)	40,203	(1,151,947)	(1,151,947)	1,192,150
Other financing sources, net	0	0	0	5,000	5,000	(5,000)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	43,608	(3,405)	40,203	(1,146,947)	(1,146,947)	1,187,150
Balance beginning of year	826,797	26,860	853,657	579,391	579,391	274,266
Balance end of year	\$ 870,405	23,455	893,860	(567,556)	(567,556)	1,461,416

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Manage- ment Levy	Student Activity	Public Education and Recreation Levy	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and pooled investments	\$ 99,601	52,509	11,014	163,124
Receivables:				
Property tax:				
Current year delinquent	906	0	164	1,070
Succeeding year	50,000	0	10,086	60,086
<b>Total Assets</b>	<b>\$ 150,507</b>	<b>52,509</b>	<b>21,264</b>	<b>224,280</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 50,000	0	10,086	60,086
Total liabilities	50,000	0	10,086	60,086
Fund balances:				
Unreserved	100,507	52,509	11,178	164,194
Total fund balances	100,507	52,509	11,178	164,194
<b>Total Liabilities and Fund Balances</b>	<b>\$ 150,507</b>	<b>52,509</b>	<b>21,264</b>	<b>224,280</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Manage- ment Levy	Student Activity	Public Education and Recreation Levy	Total Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 49,891	0	9,037	58,928
Other	7,084	191,176	368	198,628
State sources	45	0	8	53
TOTAL REVENUES	57,020	191,176	9,413	257,609
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	6,477	0	0	6,477
Other instruction	0	189,244	0	189,244
Support services:				
Student services	459	0	0	459
Instructional staff services	170	0	0	170
Administration services	11,315	0	0	11,315
Operation and maintenance of plant services	14,798	0	0	14,798
Student transportation	9,503	0	0	9,503
Other expenditures:				
Facilities acquisitions	0	0	2,350	2,350
TOTAL EXPENDITURES	42,722	189,244	2,350	234,316
Net change in fund balances	14,298	1,932	7,063	23,293
Fund balance beginning of year	86,209	50,577	4,115	140,901
Fund balance end of year	\$ 100,507	52,509	11,178	164,194

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



ANITA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 3,554	46,345	43,503	6,396
Athletic Students	1,851	2,804	3,275	1,380
Cheerleaders	740	1,145	1,835	50
Industrial Arts	2,326	1,112	1,224	2,214
NFL/Q & S	2,565	4,316	3,846	3,035
FFA	2,115	27,964	26,814	3,265
Graduating Classes	14,098	71,613	73,218	12,493
Yearbook	5,614	7,843	6,000	7,457
Interest/Inactive Accounts	348	1,876	2,218	6
Juice/Pop Account	2,219	11,085	13,131	173
NHS/Student Council	1,233	1,413	1,709	937
Music	76	50	0	126
Academic Clubs	1,563	595	1,313	845
Track Club Concessions	27	0	0	27
Service Learning	104	0	104	0
Elementary Accounts	12,144	13,015	11,054	14,105
Total	\$ 50,577	191,176	189,244	52,509

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 18,405	36,645	34,043	21,007
<b>Liabilities</b>				
Due to other groups	\$ 18,405	36,645	34,043	21,007

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANITA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
<b>Revenues:</b>					
Local sources:					
Local tax	\$	1,211,430	1,181,277	1,083,074	1,019,143
Tuition		168,781	154,186	234,501	228,444
Other		280,183	246,391	267,982	259,823
Intermediate sources		8,149	9,152	8,336	8,501
State sources		1,525,542	1,441,469	1,413,456	1,243,062
Federal sources		198,448	123,564	166,590	226,247
<b>Total</b>	<b>\$</b>	<b>3,392,533</b>	<b>3,156,039</b>	<b>3,173,939</b>	<b>2,985,220</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$	1,107,877	1,067,190	1,250,804	1,332,693
Special instruction		462,615	407,609	321,014	360,844
Other instruction		526,610	492,865	564,976	358,266
Support services:					
Student services		64,431	68,305	53,601	41,595
Instructional staff services		186,025	67,102	96,163	59,972
Administration services		311,326	276,408	287,390	281,365
Operation and maintenance of plant services		266,717	252,971	239,164	214,094
Transportation services		269,909	170,033	181,682	108,074
Central services		0	0	0	954
Non-instructional programs		0	288	9,951	3,425
Other expenditures:					
Facilities acquisitions		61,650	165,748	47,563	63,857
AEA flow-through		91,765	89,801	89,219	90,188
<b>Total</b>	<b>\$</b>	<b>3,348,925</b>	<b>3,058,320</b>	<b>3,141,527</b>	<b>2,915,327</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anita Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anita Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Anita Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anita Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Anita Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Anita Community School District's financial statements that is more than inconsequential will not be prevented or detected by Anita Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Anita Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters


As part of obtaining reasonable assurance about whether Anita Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Anita Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Anita Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Anita Community School District and other parties to whom Anita Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anita Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

ANITA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-07 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - Steps have been taken to assure that at the September organizational board meeting the Board President designates the individual to sign the activity checks on his behalf.

Conclusion - Response accepted.

I-C-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There were purchases of mugs for the staff from the Elementary Student Council. The District should review gift laws with the staff. These expenses are not appropriate from the Activity Fund.

There are several accounts without activity during the year. These accounts include Track Club Concession and Service Learning. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - These requirements have been discussed with staff responsible for the activity accounts and they will be encouraged to continually monitor.

Conclusion - Response accepted.

- I-D-07 Accounts Payable Procedures - It was noted that the District is not issuing a check for the gross amount when paying for the whole-grade sharing expenses. The District provides a net check.

Recommendation - The District should review their procedures to ensure that the checks are issued at the gross amount and have the corresponding District issue a check in return. This would show the true revenues and expenses associated with whole-grade sharing. This process is the required process by the Department of Education.

Response - The District has contacted the other school and discussed the requirements that the District must meet regarding the exchange of the whole grade sharing checks.

Conclusion - Response accepted.

- I-E-07 Activity Fund Accounts Payable Procedures - It was noted that the District is writing checks to "cash" for start up money and payments to students for working concessions.

Recommendation - The District should review its procedures to ensure that they are not issuing checks to "cash." When issued to cash these checks become bearer paper. Instead the District should issue the money to a cash custodian when they need cash. A list of students who work the concession stand should be turned into the central office for supporting documentation.

Response - The District will follow up with the responsible staff for the activity and be sure they understand the procedures to follow.

Conclusion - Response accepted.



ANITA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, exceeded the certified budget amount in the support services function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor more closely.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lynn Johnson, Teacher Owns Johnson Construction	Purchased Services	\$190
Kay Stork, Employee Spouse owns Stork Fencing	Purchased Services	\$1,885
Glennda Nelsen, Board Secretary Spouse owns Nelsen Construction	Purchased Services	\$13,691

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of Kay Stork and Glennda Nelsen do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with Lynn Johnson does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-07 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for October 2006 was overstated by 1 student. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.

II-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The local banks have been requested to give us front and back images of cancelled checks.

Conclusion - Response accepted.